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EXAMINER
KANOF, PEDRO R

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3628	

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Please find below and/or attached an Office communication concerning this application or proceeding.

Office Action Summary	Application No.	Applicant(s)	
	09/611,548	LOWENSTEIN ET AL.	
	Examin r	Art Unit	
	Pedro R. Kanof	3628	

-- The MAILING DATE of this communication appears on the cover sheet with th correspondence address --

Period f r Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If the period for reply specified above is less than thirty (30) days, a reply within the statutory minimum of thirty (30) days will be considered timely.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133).
- Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

1)☒ Responsive to communication(s) filed on *24 June 2002* .

2a)☒ This action is **FINAL**. 2b)☐ This action is non-final.

3)☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disp sition of Claims

4)☒ Claim(s) *1-118* is/are pending in the application.

4a) Of the above claim(s) _____ is/are withdrawn from consideration.

5)☐ Claim(s) _____ is/are allowed.

6)☒ Claim(s) *1-118* is/are rejected.

7)☐ Claim(s) _____ is/are objected to.

8)☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

9)☐ The specification is objected to by the Examiner.

10)☐ The drawing(s) filed on _____ is/are: a)☐ accepted or b)☐ objected to by the Examiner.

Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).

11)☐ The proposed drawing correction filed on _____ is: a)☐ approved b)☐ disapproved by the Examiner.

If approved, corrected drawings are required in reply to this Office action.

12)☐ The oath or declaration is objected to by the Examiner.

Priority under 35 U.S.C. §§ 119 and 120

13)☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).

a)☐ All b)☐ Some * c)☐ None of:

1.☐ Certified copies of the priority documents have been received.

2.☐ Certified copies of the priority documents have been received in Application No. _____ .

3.☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

* See the attached detailed Office action for a list of the certified copies not received.

14)☐ Acknowledgment is made of a claim for domestic priority under 35 U.S.C. § 119(e) (to a provisional application).

a) ☐ The translation of the foreign language provisional application has been received.

15)☐ Acknowledgment is made of a claim for domestic priority under 35 U.S.C. §§ 120 and/or 121.

Attachment(s)

1) ☐ Notice of References Cited (PTO-892)
2) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
3) ☐ Information Disclosure Statement(s) (PTO-1449) Paper No(s) _____ .
4) ☐ Interview Summary (PTO-413) Paper No(s). _____ .
5) ☐ Notice of Informal Patent Application (PTO-152)
6) ☐ Other: .

#9

DETAILED ACTION

Claim Rejections - 35 USC § 102

1. Claims 1-101, are remained and 102-118 has been added.

2. The following is a quotation of the appropriate paragraphs of 35 U.S.C. 102 that form the basis for the rejections under this section made in this Office action:

A person shall be entitled to a patent unless --

(e) the invention was described in a patent granted on an application for patent by another filed in the United States before the invention thereof by the applicant for patent, or on an international application by another who has fulfilled the requirements of paragraphs (1), (2), and (4) of section 371© of this title before the invention thereof by the applicant for patent.

3. Claims 1-7, 31, 36, 74, 93 and 96 are rejected under 35 U.S.C. 102(a) as being anticipated by Nancy R. Little, What you need to know about financing with synthetic leases, Practical Real Estate Lawyer, vol. 5, No. 2, pages 35-46, March 1999 (hereafter Little).

Claim 1: Little discloses a method, comprising the steps of:

leasing a space from a landlord to a tenant under a space lease (page 1, lines 28-33); leasing improvements to the space from a special purpose entity to the tenant under an improvements lease distinct from the space lease, the special purpose entity being a legal entity owned under tax accounting rules by a landlord of the space, the special purpose entity owning the improvements lease (page 6, lines 21-34 development of the tenant improvement being financed by the special purpose entity, the special purpose entity being capitalized by:

(a) an equity investment by the landlord of at least three percent of the value of the tenant improvements (page 4, lines 35-40) and

(b) debt issued by the special purpose entity of at least about eighty percent of the value of the tenant improvements, the debt being non recourse against the special purpose entity, the landlord and the improvements and being secured by an absolute obligation of the tenant (page 4, lines 42-45);

rent payments under the improvements lease having a present value at least equal to a value of the improvements at a time of commencement of the improvements lease (page 2, lines 1-6 and 35-40);

the improvements lease being structured together with the space lease to support an accounting conclusion that the space lease and improvements lease are to be considered together as a single lease and classified as an operating lease, financial statements of the special purpose entity being consolidated with financial statements of the landlord, rent payments under the improvements lease being fully tax deductible to the tenant (page 1, lines 34-51).

Claim 2: Little discloses a method comprising the steps of:

leasing a space from a landlord to a tenant under a space lease (page 1, lines 28-33);

leasing improvements to the space to the tenant under an improvements lease distinct from the space lease, the improvements lease being structured together with the space lease to support an accounting conclusion that the space lease and improvements lease are to be considered together as a single lease and classified as an operating lease, or "the transaction can be construed as a lease" (page 1, lines 42-47 and page 7, lines 33-34).

Claim 3: Little discloses the method of claim 2, wherein the improvements are leased from a special purpose entity, the landlord of the space being the owner of, or lessor of the tenant improvements to, the special purpose entity under tax accounting,

financial statements of the special purpose entity being consolidated with financial statements of the landlord (page 6, lines 21-34).

Claim 4: Little discloses the method of claim 3. wherein rent payments under the improvements lease are fully tax deductible to the tenant (page 1, lines 42-46).

Claim 5: Little discloses the method of claim 3, wherein the improvements being financed by debt issued by the special purpose entity, the debt being non-recourse against the special purpose entity, the landlord and the improvements (page 6, lines 21-31).

Claim 6: Little discloses the method of claim 5, wherein the debt is secured by a rent obligation of the tenant under a lease of the improvements (page 1, lines 30-33).

Claim 7: Little discloses the method of claim 3, wherein the special purpose entity is capitalized by participation comprising:

(a) an equity investment by the landlord of at least three percent of the value of the improvements (page 6, lines 13-16) and

(b) debt issued by the special purpose entity for at east about eighty percent of the value of the improvements (page 4, lines 42-45).

Claim 31: Little discloses a method, comprising the steps of:

leasing a space to a tenant (Page 1, lines 28-33); and

leasing improvements (build-to-suit, page 1, line 32) to the space from a special purpose entity (page 6, lines 10-34) to the tenant, a landlord of the space being the owner of, or lessor of the tenant improvements to, the special purpose entity under tax accounting rules (page 1, lines 34-35), financial statements of the special purpose entity being consolidated with financial statements of the landlord (page 1, lines 28-30), rent

payments under the improvements lease being fully tax deductible to the tenant (page 2, lines 7-10).

Claim 36: Little discloses the method of claim 31. Little also disclose wherein the step of capitalizing the special purpose entity by participations comprising (a) an equity investment by the landlord of at least three percent of the value of the tenant improvements and

(b) debt issued by the special purpose entity for at least about eighty percent of the value of the tenant improvements, as was discussed in claim 7 above.

Claim 74: Little discloses a method, comprising the steps of leasing tenant improvements within a space from a special purpose entity to a tenant, thespecial purpose entity being a legal entity owned by a landlord of the space, the special purpose entity being capitalized by participation comprising (a) an equity investment by the landlord of at least three percent of the a value of the tenant improvements and (b) debt issued by the special purpose entity for at least about eighty percent of the value of the tenant improvements, as discussed above in claims 1, 2 and 7.

Claim 93: Little discloses a method, comprising the steps of leasing an interest in a space from a special purpose entity to a tenant (page 6, lines 5-34), the special purpose entity being a legal entity owned ed by a landlord of the building including the space, the building being divided for lease to multiple tenants, at least about 80% of the capitalization of the special purpose entity being a loan to the special purpose entity secured by an absolute obligation of the tenant (page 4, lines 42-45).

Claim 96: Little discloses the method of claim 93. Little also discloses wherein at least 3 % of capitalization for the special purpose entity is a loan participation by the landlord (page 4, lines 21-40)

Claim Rejections - 35 USC § 103

4. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

> (a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.

5. Claims 13-27, 32-35, 40-52, 56-66, 68-73, 94, 95, 97-101, 11-115, 117-118 are rejected under 35 U.S.C. 103(a) as being unpatentable over Nancy R. Little, What you need to know about financing with synthetic leases, Practical Real Estate Lawyer, vol. 5, No. 2, pages 35-46, March 1999 (hereafter Little).

Claim 13, 111, Little discloses the method of claim 3. However, Little does not explicitly disclose wherein the improvements have been constructed and are owned by the landlord, the tenant or jointly by landlord and tenant, and further comprising the step of conveying or leasing the improvements to the special purpose entity before or concurrently with entry into the improvements lease. Official notice is taken that these steps are old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such steps. One would have been motivated to use such as a step in order to minimize the risk of the business.

Claims 14,112, Little discloses the method of claim 3. However, Little does not explicitly disclose wherein equity and/or debt investments by the landlord in a plurality of special purpose entities owned by the landlord, each special purpose entity owning improvements for lease to a corresponding tenant, are cross-collateralized. Official notice is taken that these steps are old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the

invention was made to use such steps. One would have been motivated to use such as a step in order to minimize the risk of the business.

Claim 15, 114, Little discloses the method of claim 3. However, Little does not explicitly disclose wherein equity and/or debt investments by the landlord in a plurality of special purpose entities owned by the landlord, each special purpose entity owning improvements for lease to a corresponding tenant, are not cross-collateralized. Official notice is taken that this step is are old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a step. One would have been motivated to use such as a step in order to minimize the risk of the business.

Claim 16: Little discloses the method of claim 3. However, Little does not explicitly disclose wherein the improvements being financed by debt issued by the special purpose entity, the debt being secured at least in part by alien on the improvements. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a steps. One would have been motivated to use such as a step in order to minimize the risk of the business.

Claim 17: Little discloses the method of claim 3. However, Little does not explicitly disclose wherein the improvements being financed by debt issued by tile special purpose entity, the debt not being secured by a lien on the improvements. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a steps. One would have been motivated to use such as a step in order to minimize the risk of the business.

Claim 18: Little discloses the method of claim 2. However, Little does not explicitly disclose wherein the special purpose entity is a limited liability company, grantor trust, business trust, corporation, limited partnership, or other business association. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a steps. One would have been motivated to use such as a step in order to minimize the risk of the business.

Claim 19: Little discloses the method of claim 2. However, Little does not explicitly disclose wherein the special purpose entity has no ownership interest in any real property that includes the space. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a steps. One would have been motivated to use such as a step in order to minimize the risk of the business.

Claim 20,115 Little discloses the method of claim 2, 102. However, Little does not explicitly disclose wherein rent payments under the improvements lease have a present value at least equal to a value of tile improvements at a time a of commencement of the improvements lease. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a steps. One would have been motivated to use such as a step in order to minimize the risk of the business.

Claims 116, Little discloses the method of claim 2,102. However, Little does not explicitly disclose wherein the improvements being off-balance-sheet for the tenant. Official notice is taken that this step is old and well known within the lease art.

Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a steps. One would have been motivated to use such as a step in order to minimize the risk of the business.

Claim 21: Little discloses the method of claim 2. However, Little does not explicitly disclose wherein the improvements being off-balance-sheet for the tenant, financing for the improvements being related to the cost of funds of the tenant. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a steps. One would have been motivated to use such as a step in order to minimize the risk of the business.

Claim 22: Little discloses the method of claim 2. However, Little does not explicitly disclose wherein financing forth a improvements is provided by an entity other than the tenant. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a steps. One would have been motivated to use such as a step in order to minimize the risk of the business.

Claims 23, 117, Little discloses the method of claim 2,102. However, Little does not explicitly disclose the step of entry by the tenant into an obligation to construct the improvements and to assume costs associated with the construction. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such steps. One would have been motivated to use such as a step in order to minimize the risk of the business.

Claims 24, 118, Little disclose the method of claim 2, 102 However, Little does not explicitly disclose wherein rent payments under he improvements lease are

secured, in full or in part, by a personal or corporate guaranty or by a letter of credit of the tenant. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a steps. One would have been motivated to use such as a step in order to minimize the risk of the business.

Claim 25: Little discloses the method of claim 2. However, Little does not explicitly disclose wherein the tenant is the only tenant in a building in which the space is located. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a steps. One would have been motivated to use such as a step in order to minimize the risk of the business.

Claim 26: Little discloses the method of claim 2. However, Little does not explicitly disclose wherein the space is one of a plurality of spaces of a building divided for lease to a plurality of tenants, and the tenant is one of the plurality of tenants. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a steps. One would have been motivated to use such as a step in order to minimize the risk of the business.

Claims 27, 113, Little discloses the method of claim 2. However, Little does not explicitly disclose wherein upon an event of default under the improvements lease, the tenant is obligated to purchase the improvements from the special purpose entity for a stipulated amount. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a step. One would have been motivated to use such as a step in order to minimize the risk of the business.

Claim 32: Little discloses the method of claim 31. However, Little does not explicitly disclose wherein the improvements are financed by debt issued by the special purpose entity, the debt being non-recourse against the special purpose entity, the landlord and the improvements. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a step. One would have been motivated to use such as a step in order to protect the special purpose entity.

Claim 33: Little discloses the method of claim 32. However, Little does not explicitly disclose wherein the debt is secured by a rent obligation of the tenant under a lease of the improvements. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a step. One would have been motivated to use such as a step in order to protect the special purpose entity.

Claim 34: Little discloses the method of claim 31. However, Little does not explicitly disclose wherein the rent payments under the improvements lease have a present value at least equal to a value of the improvements at a time of commencement of the improvements lease. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a step. One would have been motivated to use such as a step in order to protect the special purpose entity.

Claim 35: Little discloses the method of claim 31. However, Little does not explicitly disclose wherein the improvements lease is structured together with the space lease to support an accounting conclusion that the two leases are to be considered together as a single lease, classified as an operating lease. Official notice is taken that

this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a step. One would have been motivated to use such as a step in order to protect the special purpose entity.

Claim 40: Little discloses the method of claim 31. However, Little does not explicitly disclose wherein a building in which the space is located is encumbered by a mortgage; and the step of entry by the lender to the special purpose entity and a mortgage of the mortgage into an inter-creditor agreement, each waiving any interest in the other's collateral. Official notice is taken that these steps are old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such steps. One would have been motivated to use such steps in order to minimize the risk of the special purpose entity.

Claim 41: Little discloses the method of claim 31. However, Little does not explicitly disclose wherein the improvements have been constructed and are owned by the landlord, the tenant or jointly by landlord and tenant; and comprising the step of conveying or leasing the improvements to the special purpose entity before or concurrently with entry into the improvements lease. Official notice is taken that these steps are old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such steps. One would have been motivated to use such steps in order to minimize the risk of the special purpose entity.

Claim 42: Little discloses the method of claim 31. However, Little does not explicitly disclose wherein equity and/or debt investments by the landlord in a plurality of special purpose entities owned by the landlord, each special purpose entity owning improvements for lease to a corresponding tenant, are cross -collateralized. Official

notice is taken that these steps are old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as steps. One would have been motivated to use such as steps in order to minimize the risk of the special purpose entity.

Claim 43: Little discloses the method of claim 31. However, Little does not explicitly disclose wherein equity and/or debt investments by the landlord in a plurality of special purpose entities owned by the landlord, each special purpose entity, owning improvements for lease to a corresponding tenant, are not cross-collateralized. Official notice is taken that these steps are old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as steps. One would have been motivated to use such as steps in order to minimize the risk of the special purpose entity.

Claim 44: Little discloses the method of claim 31. However, Little does not explicitly disclose wherein the special purpose entity is a limited liability company, grantor trust, business trust, corporation, limited partnership, or other business association. Official notice is taken that these steps are old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as steps. One would have been motivated to use such as steps in order to minimize the risk of the special purpose entity.

Claim 45: Little discloses the method of claim 31. However, Little does not explicitly disclose wherein the special purpose entity has no ownership interest in any real property that includes the space. Official notice is taken that these steps are old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as steps.

One would have been motivated to use such as steps in order to minimize the risk of the special purpose entity.

Claim 46: Little discloses the method of claim 31. However, Little does not explicitly disclose wherein the improvements being off-balance-sheet for the tenant, financing for the improvements being related to the cost of funds of the tenant. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a step. One would have been motivated to use such as a step in order to minimize the risk of the special purpose entity.

Claim 47: Little discloses the method of claim 31. However, Little does not explicitly disclose wherein financing for the improvements is provided by an entity other than the tenant. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a step. One would have been motivated to use such as a step in order to minimize the risk of the special purpose entity.

Claim 48: Little discloses the method of claim 31. However, Little does not explicitly disclose wherein the step of entry by the tenant into an obligation to construct the improvements and to assure a costs associated with the construction. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a step. One would have been motivated to use such as a step in order to minimize the risk of the special purpose entity.

Claim 49: Little discloses the method of claim 31. However, Little does not explicitly disclose wherein rent payments under the improvements lease are secured, in

full or in part, by a personal or corporate guaranty or by a letter of credit of the tenant. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a step. One would have been motivated to use such as a step in order to minimize the risk of the special purpose entity.

Claim 50: Little discloses the method of claim 31. However, Little does not explicitly disclose wherein the tenant is the only tenant in a building in which the space is located. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a step. One would have been motivated to use such as a step in order to minimize the risk of the special purpose entity.

Claim 51: Little discloses the method of claim 31. However, Little does not explicitly disclose wherein the space is one of a plurality of spaces of a building divided for lease to a plurality of tenants and the tenant is one of the plurality of tenants. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a step. One would have been motivated to use such as a step in order to minimize the risk of the special purpose entity.

Claim 52: Little discloses the method of claim 31. However, Little does not explicitly disclose wherein upon an event of default under the improvements lease, the tenant is obligated to purchase the improvements from the special purpose entity for a stipulated amount. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a step. One would have been

motivated to use such as a step in order to minimize the risk of the special purpose entity.

Claim 56: Little discloses a method, comprising the steps of leasing an interest in real estate from a special purpose entity to a tenant, the special purpose entity being a legal entity owned by a landlord of the real estate that includes the leased interest. (Page 1, lines 26--52 and page 6, lines 5-36).

However, Little does not explicitly disclose wherein the special purpose entity owning the lease of the leased interest, development of an asset underlying the leased interest being financed by debt issued by the special purpose entity, the debt being non-recourse against the special purpose entity, the landlord and the asset. Official notice is taken that these steps are old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as steps. One would have been motivated to use such as steps in order to minimize the risk of the special purpose entity.

Claim 57: Little discloses the method of claim 56. However, Little does not explicitly disclose wherein the interest leased is an interest in improvements to a shorter-lived asset and further comprising the step of leasing a longer-lived asset to the tenant, rent payments under the lease of the shorter lived asset having a present value at least equal to a cost of the shorter-lived asset at a time of commencement of the lease of the shorter-lived asset; and the lease to the shorter-lived asset being structured together with the lease to the longer-lived asset to support an accounting conclusion that the two leases are to be considered together as a single lease and classified as ail operating lease. Official notice is taken that these steps are old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as steps. One would have been

motivated to use such as steps in order to minimize the risk of the special purpose entity.

Claim 58: Little discloses the method of claim 56. Little also discloses wherein leasing tenant improvements within a space from a special purpose entity to a tenant, the special purpose entity being a legal entity owned, or leased the tenant improvements, by a landlord of the space, the special purpose entity being capitalized by participations comprising:

(a) an equity investment by the landlord of at least three percent of the value of the tenant improvements and

(b) debt issued by the special purpose entity for at least about eighty percent of the value of the tenant improvements; as discussed above in claim 7.

Claim 59: Little discloses the method of claim 56. However, Little does not explicitly disclose wherein the debt is secured by a triple-net absolute rent obligation of the tenant under a lease of the improvements. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a step. One would have been motivated to use such as a step in order to minimize the risk of the special purpose entity.

Claim 60: Little discloses a method, comprising the steps of leasing a longer-lived asset and a shorter-lived asset to a lessee under two separate leases, rent payments under the lease of the shorter-lived asset, and the lease to the shorter-lived asset being structured together with the lease to the longer lived asset to support an accounting conclusion that the two leases are to be considered together as a single lease, classified as an operating lease, as discussed above in claims 1, 2, 28 and 31.

However, Little does not explicitly disclose wherein the shorter-lived asset having a present value at least equal to a cost of the shorter-lived asset at the time of commencement of the lease of the shorter-lived asset. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a step. One would have been motivated to use such as a step in order to increase the system flexibility.

Claim 61: Little discloses a method the method of claim 60. However, Little does not explicitly disclose wherein the longer-lived asset is a space in a building; and the shorter-lived asset is tenant improvements to the space. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a step. One would have been motivated to use such as a step in order to increase the system flexibility.

Claim 62: Little discloses a method the method of claim 61. However, Little does not explicitly disclose wherein the improvements are owned by a special purpose entity, being a legal entity owned by a landlord of the space. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a step. One would have been motivated to use such as a step in order to increase the system flexibility.

Claim 63: Little discloses a method the method of claim 62. Little further comprising the steps of capitalizing the special purpose entity by participation comprising (a) an equity investment by the landlord of at least three percent of the value of tile improvements and (b) debt issued by the special purpose entity for at least about

eight~ percent of the value of the improvements, as discussed above in claim 7. Official notice is taken that these steps are old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as steps. One would have been motivated to use such as steps in order to increase the system flexibility.

Claim 64: Little discloses a method the method of claim 62. However, Little does not explicitly disclose wherein rent payments under the improvements lease are fully tax deductible to the lessee. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a step. One would have been motivated to use such as a step in order to increase the system flexibility.

Claim 65: Little discloses a method the method of claim 62. Little also discloses wherein the special purpose entity is capitalized by participation comprising (a) an equity investment by the landlord of at least three percent of the value of the improvements and (b) debt issued by the special purpose entity for at least about eighty percent of the value of the improvements, as discussed above in claim 7.

Claim 66: Little discloses a method the method of claim 62. However, Little does not explicitly disclose wherein the building is divided for lease to multiple lessees. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a step. One would have been motivated to use such as a step in order to increase the system flexibility.

Claim 68: Little discloses the method of claim 62. However, Little does not explicitly disclose wherein the improvements have been constructed and are owned by

the landlord, the lessee, or jointly by landlord and lessee; and further comprising the step of conveying or leasing the improvements to the special purpose entity before or concurrently with entry into the improvements lease. Official notice is taken that these steps are old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as steps. One would have been motivated to use such as steps in order to increase the system flexibility.

Claim 69: Little discloses the method of claim 62. However, Little does not explicitly disclose wherein the landlord owns a plurality of special purpose entities, each owning improvements for lease to a lessee. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a step. One would have been motivated to use such as a step in order to increase the system flexibility.

Claim 70: Little discloses the method of claim 62. However, Little does not explicitly disclose wherein the special purpose entity has no ownership interest in any real property that includes the space. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a step. One would have been motivated to use such as a step in order to increase the system flexibility.

Claim 71: Little discloses the method of claim 61. However, Little does not explicitly disclose wherein the improvements being off-balance-sheet for the lessee, financing for the improvements being related to the cost of funds of the lessee. Official notice is taken that this step is old and well known within the lease art. Therefore, it

would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a step. One would have been motivated to use such as a step in order to increase the system flexibility.

Claim 72: Little discloses the method of claim 61. However, Little does not explicitly disclose the step of entry by the lessee into an obligation to construct the improvements and to assume costs associated with the construction. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a step. One would have been motivated to use such as a step in order to increase the system flexibility.

Claim 73: Little discloses the method of claim 61. However, Little does not explicitly disclose wherein upon an event of default under the improvements lease, the lessee is obligated to purchase the improvements from the special purpose entity for a stipulated amount. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a step. One would have been motivated to use such as a step in order to increase the system flexibility.

Claim 94: Little discloses the method of claim 93. However, Little does not explicitly disclose wherein the interest is a possessory interest in improvements to the space, the space being leased to the tenant under a separate lease, rent payments under the improvements lease having a present value at least equal to a cost of the improvements at a time of commencement of the improvements lease. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made

to use such as a step. One would have been motivated to use such as a step in order to increase the system flexibility.

Claim 95: Little discloses the method of claim 93. However, Little does not explicitly disclose the step of structuring the improvements lease together with the space lease to support an accounting conclusion that the two leases are to be considered together as a single lease, classified as an operating lease. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a step. One would have been motivated to use such as a step in order to increase the system flexibility.

Claim 97: Little discloses the method of claim 93. However, Little does not explicitly disclose wherein at least 10% of capitalization for the special purpose entity is contributed by the landlord. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a step. One would have been motivated to use such as a step in order to increase the system flexibility.

Claim 98: Little discloses the method of claim 93. However, Little does not explicitly disclose wherein a majority of the loan to the special purpose entity is supplied by a party other than the landlord, and the landlord owns a participation in the loan made to the special purpose entity. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a step. One would have been motivated to use such as a step in order to increase the system flexibility.

Claim 99: Little discloses the method of claim 93. However, Little does not explicitly disclose wherein the improvements are financed by debt issued by the special purpose entity, the debt not being secured by a lien on the improvements. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a step. One would have been motivated to use such as a step in order to increase the system flexibility.

Claim 100: Little discloses the method of claim 93. However, Little does not explicitly disclose wherein the special purpose entity is a limited liability company, grantor trust, business trust, corporation, limited partnership, or other business. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a step. One would have been motivated to use such as a step in order to increase the system flexibility.

association.

Claim 101: Little discloses the method of claim 93. However, Little does not explicitly disclose wherein financing for the improvements is provided by an entity other than the tenant. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a step. One would have been motivated to use such as a step in order to increase the system flexibility.

6. Claims 8-12, 37-39, 67, and 75-92, 108-110 are rejected under 35 U.S.C. 103(a) as being unpatentable over Nancy R. Little, What you need to know about financing with synthetic leases, Practical Real Estate Lawyer, vol. 5, No. 2, pages 35-46, March 1999

(hereafter Little), in view of F.W. Galaty et al., Modern Real Estate Practice, Real Estate Education Co., 15th. Ed., 1999, Ch. 16 (hereafter Galaty).

Claims 8: Little discloses the method of claim 3, wherein at least about 80% of the capitalization of the special purpose entity is a loan to the special purpose entity secured by a obligation of the tenant. Little does not explicitly disclose when the obligation of the tenant is a triple-net absolute obligation. Galaty discloses when the obligation of the tenant is a triple-net absolute obligation (page 260, lines 1-9). Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use a triple-net absolute obligation. One would have been motivated to use such as a step in order to minimize the risk of the business.

Claim 9: Little and Galaty disclose the method of claim 8. Little also discloses wherein at least 3 % of capitalization for the special purpose entity is a loan participation by the landlord, as discussed above in claim 7.

Claim 10: Little and Galaty disclose the method of claim 8. Little also discloses wherein at least 10% of capitalization for the special purpose entity is contributed by the landlord, as discussed above in claim 7.

Claim 11: Little and Galaty disclose the method of claim 8. However, the references does not explicitly disclose wherein a majority of the loan to the special purpose entity is supplied by a party other than the landlord, and the landlord owns a participation in the loan made to the special purpose entity. Official notice is taken that the steps in which a majority of the loan to the special purpose entity is supplied by a party other than the landlord, and the landlord owns a participation in the loan made to the special purpose entity are old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention

was made to use such steps. One would have been motivated to use such as a step in order to minimize the risk of the business.

Claims 12, 110, Little and Galaty disclose the method of claim 8. However, the references does not explicitly disclose wherein a building in which the space is located is encumbered by a mortgage; and further comprising the step of entry by the lender to the special purpose entity and a mortgage of the mortgage into an inter-creditor agreement, each waiving any interest in the other's collateral. Official notice is taken that the steps in which the space is located is encumbered by a mortgage; and further comprising the step of entry by the lender to the special purpose entity and a mortgage of the mortgage into an inter-creditor agreement, each waiving any interest in the other's collateral are old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such steps. One would have been motivated to use such as a step in order to minimize the risk of the business.

Claim 37: Little discloses the method of claim 31, wherein at least about 80% of be capitalization of the special purpose entity is a loan to the special purpose entity, as discussed above in claim 7. However, Little does not explicitly disclose when the special purpose entity is secured by a triple-net absolute obligation of the tenant. Galaty discloses when the obligation of the tenant is a triple-net absolute obligation (page 260, lines 1-9). Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use a triple-net absolute obligation. One would have been motivated to use such as a step in order to minimize the risk of the business.

Claim 38: Little and Galaty disclose the method of claim 37. However, Little does not explicitly disclose wherein at least 10% of capitalization for the special purpose

entity is contributed by the landlord. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a step. One would have been motivated to use such as a step in order to minimize the risk of the special purpose entity.

Claim 39: Little and Galaty disclose the method of claim 37. However, Little does not explicitly disclose wherein a majority of the loan to the special purpose entity is supplied by a party other than the landlord and tenant, and the landlord owns a participation in the loan made to the special purpose entity. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a step. One would have been motivated to use such as a step in order to minimize the risk of the special purpose entity.

Claim 67: Little discloses the method of claim 66. Little and Galaty disclose wherein at least about 80% of the capitalization of the special purpose entity is a loan to the special purpose entity secured by a triple-net absolute obligation of the lessee, as discussed above in
claim 8.

Claim 75: Little discloses the method of claim 74. Little and Galaty discloses wherein the building is divided for lease to multiple tenants, at least about 80% of the capitalization of the special purpose entity being a loan to the special purpose entity secured by a triple-net absolute obligation of the tenant, as discussed above in claim 8.

Claim 76: Little and Galaty disclose the method of claim 75. Little also discloses wherein at least 3 % of capitalization forth a special purpose entity is a loan participation by the landlord, as discussed above in claim 7.

Claim 77: Little and Galaty disclose the method of claim 75. However, the references does not explicitly disclose wherein a building in which the space is located is encumbered by a mortgage; and further the step of, entry by the lender to the special purpose entity and a mortgage of the mortgage into an inter-creditor agreement, each waiving any interest in the other's collateral. Official notice is taken that these steps are old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as steps. One would have been motivated to use such as steps in order to increase the system flexibility.

Claim 78. Little and Galaty disclose the method of claim 74. However, the references does not explicitly disclose wherein financial statements of the special purpose entity are consolidated with financial statements of the landlord. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a step. One would have been motivated to use such as a step in order to increase the system flexibility.

Claim 79: Little and Galaty disclose the method of claim 78. However, the references not explicitly disclose wherein rent payments under the improvements lease are fully tax deductible to the tenant. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a step. One would have been motivated to use such as a step in order to increase the system flexibility.

Claim 80: Little and Galaty disclose the method of claim 78. However, the references does not explicitly disclose wherein the improvements being financed by

debt issued by the special purpose entity, the debt being non-recourse against the special purpose entity, the landlord and the improvements. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a step. One would have been motivated to use such as a step in order to increase the system flexibility.

Claim 81: Little and Galaty disclose the method of claim 80. Little and Galaty also discloses wherein the debt is secured by a triple-net absolute rent obligation of the tenant under a lease of the improvements, as discussed above in claim 8.

Claim 82: Little and Galaty disclose the method of claim 78. However, the references does not explicitly disclose wherein the improvements have been constructed and are owned by the landlord, the tenant or jointly by landlord and tenant; and the step of conveying or leasing the improvements to the special purpose entity before or concurrently with entry into the improvements lease. Official notice is taken that these steps are old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as steps. One would have been motivated to use such as steps in order to increase the system flexibility.

Claim 83: Little and Galaty disclose the method of claim 78. However, the references does not explicitly disclose wherein the improvements being financed by debt issued by the special purpose entity, the debt not being secured by a lien on the improvements. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a step. One would have been motivated to use such as a step in order to increase the system flexibility.

Claim 84: Little and Galaty disclose the method of claim 74. However, the references does not explicitly disclose wherein the special purpose entity is a limited liability company or limited partnership. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a step. One would have been motivated to use such as a step in order to increase the system flexibility.

Claim 85: Little and Galaty disclose the method of claim 74. However, the references does not explicitly disclose wherein the special purpose entity is a grantor trust or business trust. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a step. One would have been motivated to use such as a step in order to increase the system flexibility.

Claim 86: Little and Galaty disclose the method of claim 74. However, the references does not explicitly disclose wherein the special purpose entity is a corporation. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a step. One would have been motivated to use such as a step in order to increase the system flexibility.

Claim 87: Little and Galaty disclose the method of claim 74. However, the references does not explicitly disclose wherein the special purpose entity has no ownership interest in any real property that includes the space. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use

such as a step. One would have been motivated to use such as a step in order to increase the system flexibility.

Claim 88: Little and Galaty disclose the method of claim 74. However, the references does not explicitly disclose wherein the improvements being off-balance-sheet for the tenant, financing for the improvements being related to the cost of funds of the tenant. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a step. One would have been motivated to use such as a step in order to increase the system flexibility.

Claim 89: Little and Galaty disclose the method of claim 74. However, the references does not explicitly disclose wherein financing for the improvements is provided by an entity other than the tenant. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a step. One would have been motivated to use such as a step in order to increase the system flexibility.

Claim 90: Little and Galaty disclose the method of claim 74. However, the references does not explicitly disclose wherein the tenant is the only tenant in a building in which the space is located. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a step. One would have been motivated to use such as a step in order to increase the system flexibility.

Claim 91: Little and Galaty disclose the method of claim 74. However, the references does not explicitly disclose wherein the space is one of a plurality of spaces of a building divided for lease to a plurality of tenants, and the tenant is one of the

plurality of tenants. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a step. One would have been motivated to use such as a step in order to increase the system flexibility.

Claim 92: Little and Galaty disclose the method of claim 74. However, the references does not explicitly disclose wherein upon an event of default under the improvements lease, the tenant is obligated to purchase the improvements from the special purpose entity for a stipulated amount. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a step. One would have been motivated to use such as a step in order to increase the system flexibility.

Claims 108: Little discloses the method of claim 3, wherein at least about 80% of the capitalization of the special purpose entity is a loan to the special purpose entity secured by a obligation of the tenant. Little does not explicitly disclose when the obligation of the tenant is a triple-net absolute obligation. Galaty discloses when the obligation of the tenant is a triple-net absolute obligation (page 260, lines 1-9). Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use a triple-net absolute obligation. One would have been motivated to use such as a step in order to minimize the risk of the business.

Claim 109: Little and Galaty disclose the method of claim 8. However, the references does not explicitly disclose wherein a majority of the loan to the special purpose entity is supplied by a party other than the landlord, and the landlord owns a participation in the loan made to the special purpose entity. Official notice is taken that the steps in which a majority of the loan to the special purpose entity is supplied by a party other than the

landlord, and the landlord owns a participation in the loan made to the special purpose entity are old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such steps. One would have been motivated to use such as a step in order to minimize the risk of the business.

7. Claims 28-30 and 53-55, 102-107 are rejected under 35 U.S.C. 103(a) as being unpatentable over Nancy R. Little, What you need to know about financing with synthetic leases, Practical Real Estate Lawyer, vol. 5, No. 2, pages 35-46, March 1999 (hereafter Little) in view of Weatherly et al. (U.S. Patent No. 6,049,784) (hereafter Weatherly),

Claim 28: Little disclose improvements lease to be structured together with the corresponding space lease to support an accounting conclusion that the space lease and improvements lease are to be considered together as a single lease and classified as an operating lease (page 1, lines 28-51). Little does not explicitly disclose improvements lease to be structured together with the corresponding space lease to support an accounting conclusion that the space lease and improvements lease are to be considered together as a single lease and classified as an operating lease. However Weatherly disclose a computer, programmed to solicit proposals from tenants for financing for tenant improvements to spaces leased by the respective tenants under respective space leases, and to solicit offers of financing from lenders to the tenants proposals, and notify the respective tenant and lender when an offer matches a proposal (Col. 1, lines 9-58, col. 3, 45-52, col. 3, line 66-col. 4, line 65, col. 5, line 60-col. 7, line 67, col.8. lines 1-12).

Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a step. One would have been motivated to use such as a step in order to maximize the taxes deduction.

Claim 29: Little and Weatherly discloses the computer of claim 28. However the references does not explicitly disclose being further programmed to solicit offers of financing using an auction protocol. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a step. One would have been motivated to use such as a step in order to facilitate to numerous participants to make their offers.

Claim 30: Little and Weatherly discloses the computer of claim 28. However the references does not explicitly disclose being further programmed to store information on a plurality of tenant improvement loans closed between tenants and landlords, and to analyze the information. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a step. One would have been motivated to use such as a step in order to increase the system flexibility.

Claims 53: Little discloses considering together as a single lease and classified as an operating lease (page 1, lines 28-51). Little does not disclose a computer, programmed to solicit proposals from tenants for financing for tenant improvements to spaces leased by the respective tenants under respective space leases, each proposal offering terms for lease of tenant improvements to the corresponding space under an improvements lease distinct from the corresponding space lease. However Weatherly discloses a computer, programmed to solicit proposals from tenants for financing for

tenant improvements to spaces leased by the respective tenants under respective space leases, each proposal offering terms for lease of tenant improvements to the corresponding space under an improvements lease distinct from the corresponding space lease (Col. 1, lines 9-58, col. 3, 45-52, col. 3, line 66-col. 4, line 65, col. 5, line 60-col. 7, line 67, col.8. lines 1-12).

Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as steps. One would have been motivated to use such as steps in order to maximize the taxes deduction.

Claim 54: Little and Weatherly discloses the computer of claim 53. However the references does not explicitly disclose being further programmed to solicit offers of financing using an auction protocol. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a step. One would have been motivated to use such as a step in order to increase the system flexibility.

Claim 55: Little and Weatherly discloses the computer of claim 53. However the references does not explicitly disclose being further programmed to store information on a plurality of tenant improvement loans closed between tenants and landlords, and to analyze the information. Official notice is taken that this step is old and well known within the lease art. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a step. One would have been motivated to use such as a step in order to increase the system flexibility.

Claim 102, Little disclose improving a space, financing for the improvements being provided by an entity other than a tenant of the space, financing for the tenant

improvements being obtained at the tenant's cost of funds; leasing the space from a landlord to the tenant under a space lease; and leasing the improvements to the tenant under an improvements lease distinct from the space lease.(See page 3 lines 28-33 and page 6 lines 21-34 and page 4 lines 35-40).

Claim 103, Little discloses the method of claim 2, wherein the improvements are leased from a special purpose entity, the landlord of the space being the owner of, or lessor of the tenant improvements to, the special purpose entity under tax accounting, financial statements of the special purpose entity being consolidated with financial statements of the landlord (page 6, lines 21-34).

Claim 104: Little discloses the method of claim 3. wherein rent payments under the improvements lease are fully tax deductible to the tenant (page 1, lines 42-46).

Claim 105: Little discloses the method of claim 3, wherein the improvements being financed by debt issued by the special purpose entity, the debt being non-recourse against the special purpose entity, the landlord and the improvements (page 6, lines 21-31).

Claim 106: Little discloses the method of claim 5, wherein the debt is secured by a rent obligation of the tenant under a lease of the improvements (page 1, lines 30-33).

Claim 107: Little discloses the method of claim 3, wherein the special purpose entity is capitalized by participation comprising:

(a) an equity investment by the landlord of at least three percent of the value of the improvements (page 6, lines 13-16) and

(b) debt issued by the special purpose entity for at east about eighty percent of the value of the improvements (page 4, lines 42-45).

Response to Arguments

8. Applicant's arguments files on 06/24/02 have been fully considered but they are not persuasive for the following reasons.

9. In response to applicant's arguments regarding Little, Galaty and Weatherly.

In response to Applicant's arguments that claim 2, Little reference fails to teach " two distinct leases" this limitation is addressed where it states leasing a space from a landlord to a tenant under a space lease (page 1, lines 28-33) and leasing improvements to the space to the tenant under an improvements lease distinct from the space lease, the improvements lease being structured together with the space lease to support an accounting conclusion that the space lease and improvements lease are to be considered together as a single lease and classified as an operating lease, or "the transaction can be construed as a lease" (page 1, lines 42-47 and page 7, lines 33-34). It would have be inherent that Synthetic leases to finance corporate acquisition and expansion and build to suite retail office can be interpretive as two distinct leases considered together as a single lease and in building a new office or making improvements to an existing office would have required a space regardless of what has to be done to the space.

In response to Applicant's arguments that claim 2, reference fails to teach " a stream of payments from lessee to leaser for acquisition installation, upfit and / or construction" this limitation is cited in (page 2 paragraph 7). And is interpretive as stream of payments from lessee to leaser for acquisition installation, upfit and / or construction.

In response to Applicant's arguments that claims 1, 28, 60 and 102, "recite two separate leases or two distinct leases and are therefore patentable for reasons previously discussed" this limitation is addressed where it states leasing a space from a landlord to a tenant under a space lease (page 1, lines 28-33) and leasing improvements to the space to the tenant under an improvements lease distinct from the space lease, the improvements lease being structured together with the space lease to support an accounting conclusion that the space lease and improvements lease are to be considered together as a single lease and classified as an operating lease, or "the transaction can be construed as a lease" (page 1, lines 42-47 and page 7, lines 33-34).It would have be inherent that Synthetic leases to finance corporate acquisition and expansion and build to suite retail office can be interpretive as two distinct leases considered together as a single lease and in building a new office or making improvements to an existing office would have required a space regardless of what has to be done to the space.

In response to Applicant's arguments that claim 29-30, 61-73 and 102-118, are allowable with the independent claims discussed previous within his response. The Examiner summit that these claims are not allowable and new claims 102-118 are not be allowable based on previous rejections.

In response to Applicant's arguments that claim 31, reference fails to teach "leasing a space to a tenant and leasing improvements to the space from a special purpose entity to the tenant, a landlord of the space being the owner of, or lessor of the tenant improvements to, the special purpose entity under tax accounting rules, financial statements of the special purpose entity being consolidated with financial statements of the landlord, rent payments under the improvements lease being fully tax deductible to the tenant". This limitation is disclosed as states leasing a space to a tenant (Page 1,

lines 28-33); and leasing improvements (build-to-suit, page 1, line 32) " to the space from a special purpose entity" (page 6, lines 10-34) to the tenant, a landlord of the space being the owner of, or lessor of the tenant improvements to, the special purpose entity under tax accounting rules (page 1, lines 34-35), financial statements of the special purpose entity being consolidated with financial statements of the landlord (page 1, lines 28-30), rent payments under the improvements lease being fully tax deductible to the tenant (page 2, lines 7-10).

In response to Applicant's further arguments that claim 31, reference fails to teach "the SPE is owned by the space landlord or improvements are leased to the SPE by the space landlord" this limitation is disclosed in page 1 lines 34-35).

In response to Applicant's arguments that "office action and the reference of Weatherly does not teach claim limitation", these limitation are disclose as follows discloses a computer, programmed to solicit proposals from tenants for financing for tenant improvements to spaces leased by the respective tenants under respective space leases, each proposal offering terms for lease of tenant improvements to the corresponding space under an improvements lease distinct from the corresponding space lease (Col. 1, lines 9-58, col. 3, 45-52, col. 3, line 66-col. 4, line 65, col. 5, line 60-col. 7, line 67, col.8. lines 1-12). Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use such as a step. One would have been motivated to use such as a step in order to maximize the taxes deduction.

In response to applicant's argument that the examiner's conclusion of obviousness is based upon improper hindsight reasoning, it must be recognized that any judgment on obviousness is in a sense necessarily a reconstruction based upon hindsight reasoning. But so long as it takes into account only knowledge which was

within the level of ordinary skill at the time the claimed invention was made, and does not include knowledge gleaned only from the applicant's disclosure, such a reconstruction is proper. See In re McLaughlin, 443 F.2d 1392, 170 USPQ 209 (CCPA 1971).

In response to applicant's argument that there is no suggestion to combine the references, the examiner recognizes that obviousness can only be established by combining or modifying the teachings of the prior art to produce the claimed invention where there is some teaching, suggestion, or motivation to do so found either in the references themselves or in the knowledge generally available to one of ordinary skill in the art. See In re Fine, 837 F.2d 1071, 5 USPQ2d 1596 (Fed. Cir. 1988)and In re Jones, 958 F.2d 347, 21 USPQ2d 1941 (Fed. Cir. 1992). In this case, it would have been obvious to modify the teachings of little, Galaty and Weatherly in order to provide a method and system for leasing a space from a landlord to a tenant under a space lease and leasing improvements to the space from a special purpose entity to the tenant under an improvements lease distinct from the space lease, the special purpose entity being a legal entity owned under tax accounting rules by a landlord of the space, the special purpose entity owning the improvements lease.

10. Note is taken by the examiner that should the applicant find objectionable any statements made herein by the examiner regarding inherency, implicitness, obviousness, or Official Notice, Applicant can make a proper challenge to those statements only by providing adequate information or argument so that on its face it creates a reasonable doubt regarding the circumstances justifying those statements: a simple response requesting a reference without doing so, or a response that fails to logically refute the basic assumptions underlying the justification, will result in an improper and failed challenge and those unchallenged statements will remain the record of the case. Applicants must seasonably challenge those

statements in the first response following an Office Action. If an applicant fails to do so, his right to challenge them is waived.

11. In response to applicant arguments against the references individually, one cannot show nonobviousness by attacking the reference individually where the rejections are based on a combination of references. See In Keller, 642 F.2d, 208 USPQ 871 (CCPA 1981); In re Merk & Co., 800 F.2d 1091, 231 USPTQ 375 (Fed. Cir. 1986).

Conclusion

12. THIS ACTION IS MADE FINAL. Applicant is reminded of the extension of time policy as set forth in 37 CFR 1.136(a).

A shortened statutory period for reply to this final action is set to expire THREE MONTHS from the mailing date of this action. In the event a first reply is filed within TWO MONTHS of the mailing date of this final action and the advisory action is not mailed until after the end of the THREE-MONTH shortened statutory period, then the shortened statutory period will expire on the date the advisory action is mailed, and any extension fee pursuant to 37 CFR 1.136(a) will be calculated from the mailing date of the advisory action. In no event, however, will the statutory period for reply expire later than SIX MONTHS from the mailing date of this final action.

Any inquiry concerning this communication from the examiner should be directed to Pedro R. Kanof at (703) 308-9552. The examiner can normally be reached on Monday, Tuesday, and Wednesday from 5:30AM. to 6:OOPM.

13. If any attempt to reach the examiner by telephone is unsuccessful, the examiner's supervisor, Hyung S. Sough can be reached on (703) 305-0505.

The Official Fax Number for TC-3600 is: (703) 305-7687